

**BUREAU OF  
WORKERS' &  
UNEMPLOYMENT  
COMPENSATION**

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# Governor Granholm's \$206 Million Unemployed Worker Assistance Plan

## \$206 Million for Michigan's long-term unemployed workers

Under a law approved on a bipartisan basis by the Michigan Legislature (HB 4945), an estimated 53,000 of the state's long-term unemployed are eligible for about \$206 million in additional jobless benefits.

The benefits are payable through the federal Temporary Extended Unemployment Compensation – second tier (TEUC-X) program and the federal-state Extended Benefits (EB) program.

TEUC-X provides up to 13 weeks of federally funded unemployment benefits. EB provides up to 13 weeks of shared state and federally funded unemployment benefits.

In addition to helping Michigan's unemployed, the added jobless benefits will generate up to \$9.8 million in extra state revenue, through income tax and sales tax revenues.

Since unemployment benefits are *high velocity* dollars, they are used quickly to purchase food, clothing and shelter. It is estimated that each benefit dollar paid has a multiplier effect of about 2.5 times as goods and services are purchased in the community, which translates into \$515 million for Michigan's economy.

## No benefit charges to Michigan employers

Michigan employers do not face additional charges to their unemployment tax accounts under the law.

The TEUC-X benefits are 100% paid for by the federal government. EB payments, after the first week, are 50% paid for by the federal government. Total federal benefit payments are expected to reach \$181 million.

For the state share of any extended benefits that may be paid:

- **Contributing employers** (generally private employers who pay their state unemployment taxes quarterly) will have those benefits (an estimated \$23 million) charged to the state's nonchargeable benefits account within the state's UI trust fund, and not the employers' accounts.
- **Reimbursing employers** (public and nonprofit employers) will have their EB charges (estimated to be \$1.75 million) reimbursed from the UI program's penalty & interest funds.

## Who would qualify for TEUC-X and EB

The law potentially qualifies jobless workers for TEUC-X benefits, if they have exhausted their federal TEUC benefits *after the week ending May 24, 2003*. Jobless workers whose benefit years end after the week ending May 24, 2003, potentially qualify for EB.

TEUC-X can be paid for weeks of unemployment beginning the week ending August 23, 2003. EB requires a much more detailed job search report than other types of unemployment benefits. Applications and requirements for EB are anticipated to be available by the second week of September. In addition, jobless workers could qualify for Extended Benefits once they exhaust their TEUC-X. The two programs would continue through December 27, 2003, as long as the three-month average unemployment rate is at least 6.5%.

Weekly TEUC-X and EB will be the same as the amount workers received in their state benefit checks for half the number of weeks.

The Bureau of Workers' & Unemployment Compensation will mail applications for the TEUC-X and EB programs to potentially eligible unemployed Michigan workers. Those exhausting TEUC the week ending August 16 or after will not be mailed an application, they will be enrolled into the program by an automated system.

#### **What the law does**

The new law *temporarily* changes Michigan's unemployment insurance law, allowing the state to use, for the first time, its *total* unemployment rate as the mechanism for triggering on TEUC-X and EB. The permanent law requires the state to use its *insured* unemployment rate (IUR) as the trigger mechanism, but the state does not currently meet the IUR criteria needed to start the programs.

The temporary changes in the law sunset on December 27, 2003.